



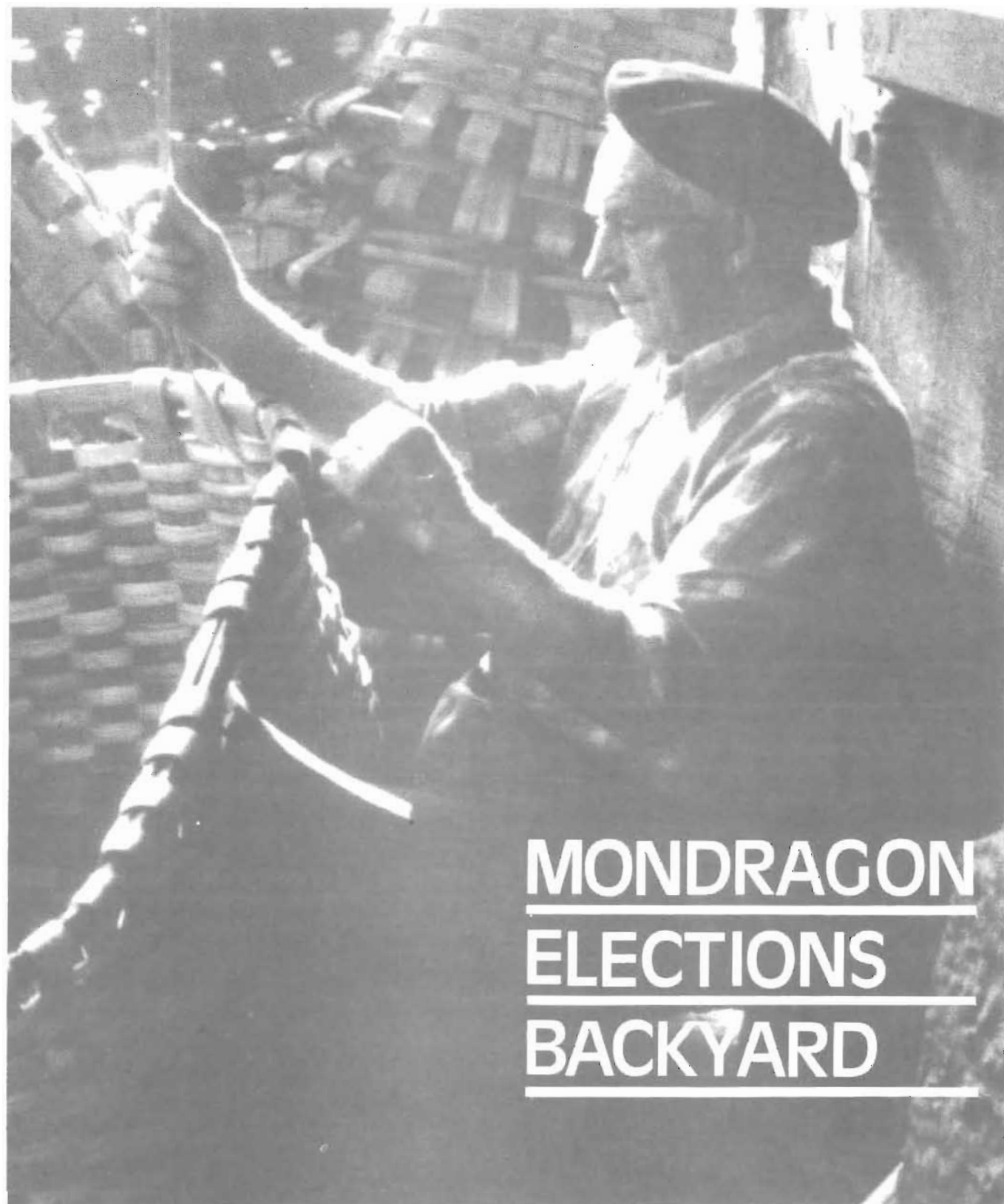
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VICTORIA'S JOURNAL OF CO-OPERATIVE AFFAIRS

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The Ministerial Advisory Committee on Co-operation

MINISTERIAL ADVISORY COMMITTEE ON CO-OPERATION

The Ministerial Advisory Committee on Co-operation is reviewing the Co-operation Act and mechanisms for the development of co-operation in Victoria.

MACC has already issued an information paper:
'The Development of the Co-operative Movement in Victoria'.
Copies of the paper are available from the Legal and Registry Division
Ministry of Housing – telephone (03) 669 1718

Staff of the Legal and Registry Division, Ministry of Housing
are available to meet with individuals and groups on request.

For further information contact: Ms Maureen Hopper, Secretary,
Ministerial Advisory Committee in Co-operation, c/- Ministry of Housing,
21st Floor, 250 Elizabeth Street, Melbourne, 3000
Telephone (03) 669 1718 or 669 1765

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The Co-operator

VICTORIA'S JOURNAL OF CO-OPERATIVE AFFAIRS

The Co-operator is published every month by Gay Publications Co-operative Limited, 87 King William Street, Fitzroy 3065, Victoria. *The Co-operator* welcomes contributions from all sections of the co-operative movement throughout Victoria. Articles should be typed, preferably double-spaced, and should reach *The Co-operator* no later than the last Friday of the month prior to publication. Receipt of articles will be taken by the Editor as constituting permission to publish unless the contrary is specifically indicated. Typescripts will not be returned unless accompanied by a stamped self-addressed envelope. All articles submitted for publication must carry the name and address of the author. Signed articles do not necessarily represent the views of Gay Publications Co-operative. The Editor reserves the right to edit all articles prior to publication.

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News

Co-ops and the Elections

Victorians go to the polls on 2 March to elect a new state government. While co-operatives and their future will not exactly be the dominant issue in the election, it is an issue of importance to many people in the co-operative movement, and to many readers of *The Co-operator*. To clarify the parties' stands on this issue, we spoke to the Minister for Employment and Training, Mr Jim Simmonds (ALP, Reservoir), and to the shadow minister, Ms Prue Sibree (Liberal, Kew).

Prue Sibree

The Liberal Party is campaigning in this election on its promise to boost and assist small businesses, a category that includes most co-operatives. How will your policies assist co-operatives?

The Liberal Party traditionally has been one of enterprise, people encouraged to take their own initiative, not being dissuaded from doing that because of government intervention and over-control of the business sector. So philosophically, any moves towards self-help or self-development through small business or through a co-operative venture are the sort of thing that Liberals would support. I don't see why co-operatives should necessarily be divided off from an overall perspective on the economy.

I think one of the concerns we'd have, as with lots of things that governments do, is that by responding in an ad

hoc way to one group's problems, you can disadvantage another groups, so we'd be keen in our small business policy to ensure that it's assisting the whole range of small businesses, and I think the co-operative movement is certainly one that has to be developed and kept in mind when that happens. Basically the small business policy is about deregulation, about allowing people to get on with their enterprise. I would have thought that fitted in with the co-operative movement's philosophy.

I suppose the only concern we'd have, and perhaps one of the differences we'd have, relates to the profit-making ethic in terms of co-operatives versus other small businesses, but on the other hand, that's up to the co-operative to make that decision for itself. People's decision-making about their own enterprise is their own business.

I'd like to ask you about the Ministerial Advisory Committee on Co-operation (MACC). Nine months' work has been put into that study, and it's almost reached the point where draft legislation can be presented. What happens to that if there's a change of government? Do we start all over again?

Well I'd hope not, no. We've suffered long enough with a lot of enquiries in a whole lot of areas, some of them overlapping. I don't want to start running around with more enquiries. Obviously we'd have to take that up, we'd have

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Jim Simmonds

Where do co-operatives fit into the scheme of things as far as ALP policy is concerned?

Firstly, co-ops are in ALP policy. Support for co-operatives is in the policy and was stated. The economic strategy and the support for the co-operatives is based mainly on their capacity to generate long-term jobs. Secondly, the jobs are supported on the basis of them being new forms of work organisation. That's why we distinguish it from, say, support for small business in that under the co-operative we expect both to happen. And we place importance on new forms of work organisation as a general commitment.

Liberal Party policy is to see co-operatives within the context of small business policy. Are you saying that Labor Party policy differentiates between business co-operatives and other small businesses? In what ways does it differentiate?

Let's say that we differentiate on the basis of the forms of the support which you provide, and what you expect the co-operative to achieve. I think that fairly early on it would have been true to say that people in the Labor Party saw co-operatives as a form of small business and the policy actually talked about establishing co-operative development units within the Small Business Development Corporation.

I think that experience over the last couple of years has

shown us that that probably would not have been a very successful way of developing the sort of things you want from a co-operative. You don't get from a small business the commitment to democratic work practices and co-operative style operation. The second thing is that the government, through the Ministerial Advisory Committee on Co-operation (MACC) is looking at the whole question of the development of the co-operative sector. And so, obviously, as we receive the results of that, as that continues we will get a clearer sense of how we see co-operative development taking place in a general sense. *Since the Co-operative Development Program was instigated by the previous Liberal government, there seem to have been changes in emphasis from time to time as to why the program exists. You've just described it as an alternative means of promoting long-term employment. There have been times when I've heard people argue that it's an excuse for experiments in industrial democracy, or for establishing alternatives to private ownership and state ownership. Is it seen within any of those contexts?*

I don't disagree with that, but I think the thing about new forms of industrial democracy or social ownership, is not just a question of experimenting, it's a question of creating something which is going to last. The fact of the

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to look at it, if legislation is proposed, we'd have to look at any proposed legislation in the light of our general commitments as a government in small business, in the area of deregulation, in the area of trying to reduce the size of government and its interference. Now that legislation may as it's proposed require some alterations in view of those philosophies and those statements, and then what I would do is let that legislation out, and as soon as possible, for feedback and discussion, and the necessary legislation to follow on.

Is there an existing Liberal Party policy towards co-operatives, towards co-operation?

I haven't put out a specific one on co-operatives, but it's something that, in terms of past of past example and experience, we've encouraged and lived with. It's an area where the community wants to come together in particular areas, so I don't have any hassles with that. But I am concerned that co-operatives or small business are within the marketplace, competing on a reasonably equal footing.

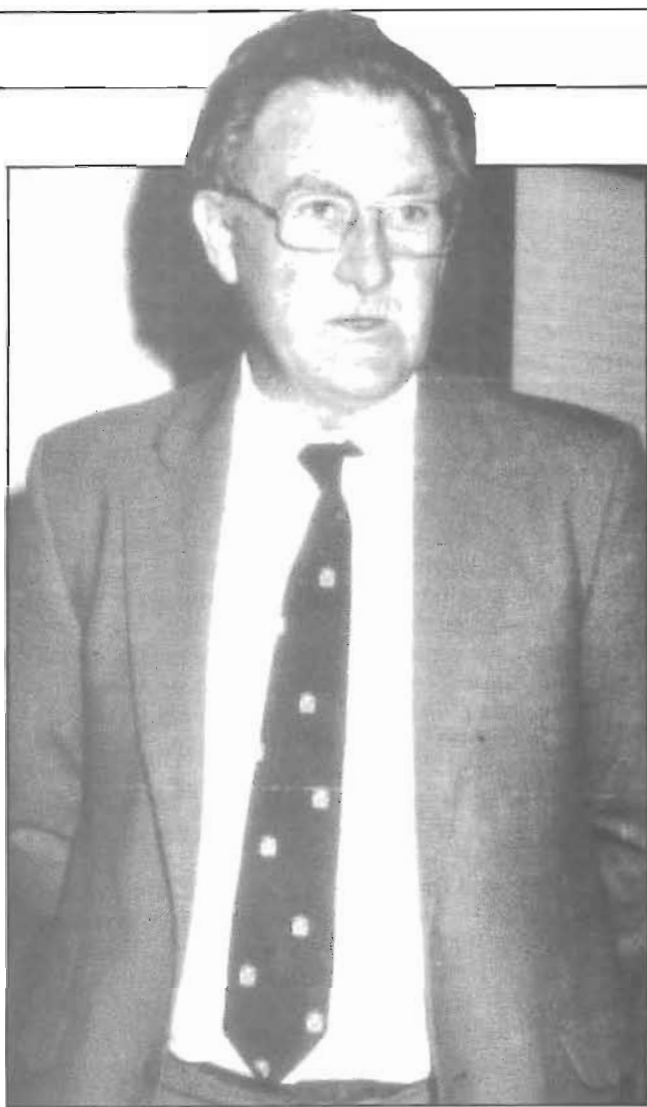
One of the main ways worker co-operatives are being supported at the moment is through the Co-operative Development Program of the Ministry of Employment and Training. Would you be maintaining that program?

Well I haven't said we won't get rid of it, and I have a personal belief that there is a role for the co-operatives to play. I'm also aware that within a private enterprise system, there are those who would say that because that program is there, that means that those co-operatives don't compete in an equal footing. On the other hand, I am still aware that we provide a lot of money through the Victorian Economic Development Corporation to companies, we pay a lot of money to the Small Business Development Corporation to small business and so when I look at it I think the situation isn't quite as inequitable as some people in business might like people to believe. So I don't have any personal hassles with seeing some support given in a proper way to that movement. Especially if it's aimed at the self-enabling that the Liberal Party is about.

I would like to see it being more of a seeding, a getting-off-the-ground, than a continuing long-term subsidy, to that particular co-operative. But I can say at this stage that there is no intention to change the program, because it fits into the broader parameter of what we're on about in small business and encouraging that in any way. Providing the equities are maintained, then I don't see any reason to withdraw support specifically from co-operatives. Now it may be that we might change the whole structure of that, that might be a long term thing, but I don't think that's going to happen.

In the past Jeff Kennett has attacked some of the groups that have been funded through job creation schemes or through CDP, in particular groups like Friends of the Earth, as being inappropriate targets for funding. So what is the policy here?

What Jeffrey is saying about those groups is, look, we're on about creating the opportunities in this society for the development of enterprise, the development of positive growth and I agree with Jeffrey, and it reflects a lot of community concern, that's it's a question of how do you fund, and if you should fund, these sorts of groups. They are



● Mr Jim Simmonds



● Ms. Pru Sibree

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in many ways politically organised groups, and, while we don't object to legitimate support of what we see as ultimately profit-making or self-sustaining groups, we'd question the role of government in funding some of these other fringe areas. If you want to define them as disadvantaged groups, I think the disadvantage is corrected better by those people having access to mainstream work or whatever, rather than left huddled away in an organisation that'll never become something as productive. I think quite validly Jeffrey's making the point that we don't countenance public moneys to some of the politically-motivated areas, where if they've got a valid point of view they should be supported by the public as a matter of voluntary public support rather than through the public purse.

The attacks were directed towards the assertion of the groups being funded were groups that had been formed for political purposes, but they included groups such as Correct Line Graphics - a small business that had been started by a group of homosexuals - which was part of the Co-operative Development Programme. In terms of that programme sexuality was irrelevant, yet they were singled out by Jeff Kennett.

What you have said about that is his business. My concern is, that as someone who is responsible for employment and training, that I would want to see support given to those are creating their own running costs and creating jobs and making a profit. I think the question of supporting those people through an employment and training situation is not as it should be. I think those people, like Friends of the

Earth, have a valid point, about where they should be getting their support. They can apply to be a taxation deduction like everybody else.

But if Friends of the Earth decide they want to start a food co-operative, and apply under whatever would be the appropriate auspices under a Liberal government, would they be disadvantaged because of their sexuality?

Well, I think we should be judging things on the basis of what their outcome is going to be in terms of our long-term or medium-term strategy for getting businesses, employment and training going.

So who they are is not relevant in that context?

Well it depends partly on their motivation for it too.

Given what has been said previously, that sections of the community such as women's, gay and environmental groups have got real reason to believe that they would be considered ineligible for any sort of assistance because of the fact that they belong to those groups. A term such as "fringe groups" to describe those groups doesn't provide a clear delineation as how they should be constituted. Is a group of Lebanese forming to start a restaurant a "fringe group" because they are a particular minority and are they, similarly, going to be disadvantaged?

Well, I'd want to look at the outcome of what they're doing. That would be my criterion. If all I'm doing is forking out money for someone to churn out propaganda, then I think that's not a valid use of someone's funds. If Friends of Earth want to come together to form something that is going to be a creative thing, to make money, to employ, etc, then I'd look at it on the basis of what it was. It's a difficult delineation, I grant you that.

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matter is that if you're going to have a co-operative business enterprise, to develop more democratic forms of work organisation and work practice, which are going to have some relevance to the world outside, then they've got to be able to be done confronting a market, and generating enough income to become a viable business. That's why I think viability's so important. We can pay people a lot of money to go and do things, and they can work together in a democratic way, but if it's not around some activity which is generating income in a market, then it has very limited relevance for workplaces generally, because for the foreseeable future the type of business activity that we've got is going to have to deal with the market, it's going to have to produce a product and sell it.

Comparatively, very few resources have been put into co-operative development, compared to other programs. Do you believe that current resources are satisfactory?

It's a question of what you think the priorities are. If your priority is the creation of a large number of jobs, then you spend more money on things like EIP or CEP. And of course it's easier to spend the money that way than on establishing co-operatives. But I think we do need more resources for the Co-operative Development Program, and we are taking steps about that.

Is this a commitment that the program will continue after the elections?

There's definitely a commitment that the program will be continued, but in terms of enlarging it, what really needs to happen is that technical and financial support services for co-operatives have to be improved. There's no question about that, and the government will be committed to improving those resources.

A lot depends on what comes out of MACC in terms of appropriate ways of supporting co-operative development,

and there seems to be a bit of a debate taking place as to what role the government should play in supporting co-operatives. Parts of the co-operative sector stress their autonomy and don't want to be seen just as agents for implementing certain aspects of government policy. On the other hand the government might very well say, well we think co-operatives are a very nice idea, but we want them to be consistent with certain other objectives we have as a government. I think there's going to be a bit of debate and discussion about that. How we reconcile that debate will have an influence on what sort of support structures we set up.

What can government do to assist co-operatives in the area of access to finance, given that this is the major area of difficulty all small businesses face?

The major difference between the ALP and the Liberal Party in the area of support for small business is that the ALP makes funds available through the Victorian Employment Development Commission (VEDC), while the Liberal policy is to provide assistance through the employer organisations. There's been an increase in the funds available to small businesses through the VEDC in the last couple of years. Small businesses have great difficulties getting finance from banks, and co-operatives will have even more. Banks won't lend money unless there's equity. So if you're going to rely on traditional institutions like banks for finance, then you're going to be tied into a high-equity position for co-operatives and co-operative members, and of course that's not desirable.

For that reason there's always going to be a need for some form of government assistance, because any financial institution, even a co-operative bank, is going to be concerned about the amount of risk money it's got out.

One of the criticisms of the program is that money has been wasted because there hasn't been sufficiently stringent screening, that not enough attention was paid to

the prospects for viability of funded co-operatives, and that this is why some co-operatives that were in the are no longer in existence.

The original program objectives talked about viability, but they also talked about co-operative practice, about providing employment for disadvantaged groups, about providing services of community benefit, all very desirable objectives. The question was, which of these objectives were primary and which were secondary? It took some time for the primacy to be given to the objective of economic viability. For at least the last 18 months it's been understood that that's the case.

This is a program that has involved a lot of learning by the people in the co-operatives, the people in the ministry and the service providers. Obviously when you're trying to do something that's different, and something that's difficult, it's likely that you'll make mistakes. Where you're really open to criticism is if you repeat those mistakes. At the very least, whenever we have provided funding for co-operatives, even if they haven't proved viable in the longer run, we've succeeded in that we've provided employment and training for the people involved, which they wouldn't have got elsewhere. You should also remember that an evaluation of the program and of the funded co-operatives was done by outside consultants, and they found that, while the program wasn't the cheapest way to provide employment, most of the funded co-operatives would achieve viability. And the

program is now better in terms of judging viability than it was when that evaluation was done.

Given that the primary objective of the program is long-term job creation, presumably there will come a time when it will move beyond its present concentration on relatively small co-operatives, and move on to larger-scale enterprises, such as industrial conversion co-operatives. How do you see that process developing?

We are proceeding with developing conversion co-operatives. We've funded RMIT to run 18 conversion co-operative workshops this year, and there's a committee working on that. There are funds available under the Employment Development Program that have been specifically targeted for conversion co-operatives. There's about \$400,000 there. There's one conversion co-operative already funded, as you know. There are discussions underway with some others. But we're not keen to rush them into it, because it's important to allow time for the necessary training before they take the plunge.

We look hard at proposals for conversion before we take them on. We're not interested in conversions from failed company to failed co-operative. We've taken on board the lesson from the UK and elsewhere that there's nothing magical about being a co-operative, and that there has to be a prospect of viability.

● by Danny Vadasz

23 Years In The Co-op Movement

Bill Rawlinson retires this month after eight years as Executive Officer of the Co-operative Federation of Victoria, and after 23 years' involvement in the co-operative movement in different parts of Australia. He spoke to *The Co-operator* about his experiences and his views on the development of the Australian co-operative movement.

Perhaps I could begin by asking you how you came to be involved in the co-operative movement, and in your present position.

Strangely enough, I was born about 20 miles from Rochdale, in northern England, where the first charter of co-operation was formally drawn up. But I really had no association with co-operatives in those days, and it wasn't until 1963 in Western Australia that I really became actively with co-operatives. A person I knew who was associated with co-operatives advised me that the executive officer of the co-operative federation in that state was retiring, and asked me if I'd be interested in applying for the job.

I then made some inquiries and had a long discussion with the executive officer, and I was very attracted to the philosophy of co-operation, to the organisation of that federation. I could see that I could get a lot of satisfaction out of becoming involved in such a movement, so I accepted the offer. At that time in Australia there was a co-operative federation in Western Australia, which was formed in 1919, and there was a co-operative federation in



● Mr Bill Rawlinson (right)

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Queensland, which had been formed in 1946 (which was run on an honorary basis), and that was the extent of the co-operative organisation in Australia.

I was very fortunate in having a far-seeing board of directors in WA, and after a period of familiarisation I was sent overseas for a period of study. I was able to study co-operative activity in many countries; in north America, the UK, Sweden, Germany, Poland, France, Israel, India, Malaysia and Singapore. I've also been privileged not only to visit co-operatives in those countries, but also to join in meetings of co-operative organisations, and I've tried to relate some of the experiences I've gained to conditions here in Australia.

One of the earliest realisations that I had was of the need for extending co-operative organisation in this country, from the two federations then existing. So the WA federation decided to strive towards getting a national organisation established, by the setting up of federations in each state. The result is that today there is a Co-operative Federation of Australia, with federations in each mainland state.

How did you come to transfer from Western Australia to Victoria?

Well, that's an interesting story too. As part of the development of co-operatives at the national level, I was asked to be the Honorary Secretary of the Co-operative Federation of Australia. We hadn't had much communication with the federal government on matters co-operative, so it was felt that we should do something about this. And so we organised a national conference, just at the time that the Labor government came in in 1972. That national conference had two objectives. One was to ascertain what the federal government's policies were towards co-operatives and what knowledge the government had of co-operative activity. And the second was to create an awareness among all the different types of co-operatives about what we had in common. This was the first time that such a group had been brought together and such an awareness created, so from that point of view it was successful.

From the first point of view it was equally successful, because we discovered that the federal government knew absolutely nothing about co-operatives. But we didn't blame the government, because we as a co-operative movement had done nothing to educate them. So arising from that we immediately made a submission, and an approach was made to the Minister for Agriculture asking him to assist and recognise the strength of co-operatives in the agricultural sector. He agreed to do this if the co-operative movement itself would establish a centre in Canberra to act as a non-governmental representative, so that there could be co-ordination between government policies and the co-operative sector.

So the federation agreed to do this, and I was asked if I'd go to Canberra to set up this office to act as liaison with the government, and also to try and co-ordinate the development of cohesive thinking at the national level in the co-operative movement. I was in Canberra for just over five years, during which time I became familiar with the workings of the federal government and they became aware that there was an organisation to which reference could be made if they wanted. At the same time the Co-operative Federation of Victoria were looking for a person to assist in the development of matters here. Although the Federation has existed since 1970, it was operating in an honorary capacity, which was not fully effective in the form of providing services for co-operatives.

So the Co-operative Federation of Australia looked at the resources it had and how it could assist its member organisations, and it felt that its office in Canberra had

really fulfilled its purpose. It decided that that job could now be equally well done from Victoria, and that the work at the national level could be combined with the work of providing a service for Victoria. So I was asked to move again, from Canberra to Victoria, and that's how I come to be here.

How do you feel about the new types of co-operatives that have come into existence in the past few years, such as those associated with the Co-operative Development Program?

It is true to say that the co-operatives associated with the state federations are more of the traditional type and it is a fact that there are some problems of communication between the traditional and the contemporary type co-operatives, and this goes both ways. The traditional-type co-operator sometimes has problems understanding the desires of the younger generation who have perhaps different approaches to the concept of democracy and equality, and equity too, than does the traditionalist.

Traditional co-operators have a very strong feeling that co-operatives are self-help organisations, and as such they achieve what they achieve through the independent efforts of their members, without looking to governments for handouts. This is one of the causes for some of the incompatibility between the traditionalists and the contemporaries, this equity concept. It has to be accepted that the younger people don't have resources to start off businesses, and that there is a need for some sort of assistance to promote and encourage them. But at the same time it is felt that there could be a far greater acceptance by the younger members of their responsibility towards a co-operative, their co-operative, in this matter of equity.

Experience has proved that organisations which are easy to join are easy to break up, and they fall down. And I think the experience in Victoria, with some of the worker co-operatives that have been formed, where there has not been this commitment, where it's been too easy to get a government grant, has indicated a lack of awareness of business responsibility and control.

So I've got to be on the side of the traditionalists here, and say that co-operatives must accept that they are self-help organisations, and that they are strong as their members want to make them. If they're going to be propped up by government or any other outside source, then they're not true co-operatives. Until they can stand on their own feet, they can't be classified as true co-operatives. So it must be a prime objective of members to help themselves to be self-supporting.

Do you think that the Co-operative Development Program is in that sense misconceived?

No I don't, I support it, in fact the Co-operative Federation was very largely responsible for its introduction in the first place back in 1979. But I do consider it in some areas maladministered. I think there are justifiable criticisms of the administration of the program, but I don't think the concept is wrong, I think the concept is right.

Where I think the administration is wrong is that I don't see it as a function of government to be doing these sort of things. I see it as a function of government to decide a policy of assistance or promotion; using the co-operative structure to assist employment or develop small business or whatever, and then to make a certain amount of funds available in accordance with its program. But that's where it should end. Those funds should be contracted out to some non-governmental organisation to administer, and to be fully accountable.

Speaking personally now, speaking from my experience of business relations with government, I would say it's a function of government to declare set policies, and to have them administered by experts in the field, not by bureaucrats. This is where I criticise the administration

Co-op of the Month

Backyard Press

This month *The Co-operator* visited Backyard Press, a co-operative printing business in Greville St Prahran. We spoke to Ted, Dave and Cathy, three of Backyard's worker-directors, about the history and development of the co-operative. *How long has Backyard been operating, and how did it become a co-operative?*

Ted: I think 1979 was the time when we started to have formal arrangements. Two of us had been working in the business prior to that, going back to 1977, on a casual, moonlighting basis, and had begun to steer the business towards a co-operative idea as other people came into the place. In 1980 or '81, I think it was, we became a company. Before that what we had was one person as a "ghost representative", they were a sole trader. We virtually made our own rules up.

When that was formalised into a company structure we wrote our own articles of association. We incorporated into our articles the ideas that we wanted. We found that particular structure very flexible at that time. There were a whole lot of difficulties with the regulations governing co-operatives, and there still are to some degree. But you

could say that we really got going as a co-operative in that sense, because prior to that we had a person as a sole proprietor, and they in theory had to take the full brunt if anything went wrong, and we felt that that was unco-operative, that the responsibilities ought to be shared among all the workers.

What's the co-operative structure that you have running now?

Ted: Well one of the results of our last round of funding is that we will be registering as a co-operative. Until this time we've been a proprietary limited company, with its articles written by, and capable of being amended by, the workers and directors.

So up until now you've been a company, but with a semi-co-operative structure?

Ted: Well, no, not a semi-co-operative, we'd argue that we have a more co-operative structure than some of the co-operatives, because in effect every worker is a director and

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of the program. If those funds were made available to a non-governmental organisation, such as, say, the Co-operative Federation, with specialist personnel to administer them in the interests of the people who are going to be using them, a much more efficient organisation would then ensue. It would be speedier, decisions would be made quicker, there'd be a much more democratic operation, it'd be run by the people who are using the services in the best co-operative way, and at the same time I'm certain the cost would be less because it would be more efficiently administered.

Over the time you've been involved in the co-operative movement, how has it changed? Has it grown?

There has certainly been growth in the credit sector, but in the trading and consumer sector, I'd say there has been a diminishing of activity. This is because the retail food trade has become so fiercely competitive that there is just no margin for retail co-operatives. In the agricultural and processing sectors, I'd say there's been a reduction, mainly due to takeovers by private businesses. Theoretically, this should not be possible if the co-operatives are structured as they should be, but in practice it has happened. In the worker co-operative movement there's been some growth, not very significant in relation to the total, but there's been a start. In the community-settlement type co-operative, there's been growth. In housing co-operatives there's been growth.

So there has been some growth. And of course with

inflation and the increase in population, there has been "natural growth".

But as a proportion of the economy as a whole?

As a proportion of the economy as a whole I would probably say our market share is less than it was 23 years ago, when I first became involved. This is an indication of a lack in some sectors of a lack of awareness of what a co-operative means, in terms of service to its members and local ownership. This reflects the need for a more aggressive program of education.

But the other cause for the lack of proper co-operative development has been the lack of financial resources, a co-operative bank. Other countries have got this facility, and going back to the agricultural sector, rural credit is a co-operatively structured operation in many countries, where the farmers can borrow from their co-operative bank. In Australia they borrow from the commercial banks, and the high interest rates they pay go to the bank's shareholders instead of staying in the co-operative banking pool. So the two major weaknesses that I see, that must be corrected if we're going to develop a strong co-operative movement, are, firstly, the need for a co-operative financial institution, and secondly, the need for a co-operative education institution to provide proper understanding of what co-operatives mean in terms of sound business practice as well as the distinction between the co-operative business and the non-co-operative business.

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a shareholder, that's written into the articles. So you do have a truly shared responsibility, and ownership of the equity of the company. It's spread right across the board. No-one owns any more than the rest. The only proviso is that a person has to spend a sort of apprenticeship time, to assess their interest and the working relationships and that sort of thing.

And what's the actual decision-making and management process here now? Do you have workers' meetings to make decisions?

Cathy: It's mostly a regular day-to-day process between all of us. We still have formal meetings, but they're not as necessary as they used to be. For policy questions, what we've tried to do is to set aside half a day or something every so often to have a meeting with a specific agenda. Sometimes, though, it has to get done on our feet while we're working.

There's a lot of paranoia, I think, in that area, you know "how do you run your management and decision-making structure?", because a lot of the people that I've met in the co-operative movement have that opinion, that you have to run on a traditional boss/worker structure, and we don't here. The people that work here are the bosses and the workers, and we've had problems with other people not always understanding that. The workers make their own decisions about their own departments, and on policy questions we try and meet and discuss it.

How has the number of people employed here changed over time?

Ted: Backyard Press has always mutated. It's been a sign of its health; sometimes poorly, sometimes well. We're tending to concentrate our numbers at the moment, rather than increase them. There was a time when we went too quickly, we had too many people. We never sacked anybody or anything like that, it was just natural wastage.

How did you get involved with the Co-operative Development Program?

Ted: Out of necessity! We'd been going for some time, and then we had a disastrous fire on the premises, and then a chronic shortage of working capital, and a sales tax debt that resulted from that. We found that this was the best way of going about getting financing for an organisation like our own. Because there's just no funding available through the financial institutions. We're extremely critical that finance in Australia is confined to bricks and mortars philosophies. Overseas, people do lend money in other ways, like bill of sale. But we were primarily interested in getting money to solve these problems. We've always felt that we were a co-operative, there was no question of "we want to be a co-operative", it was always that we were a co-operative.

Was your relationship with the ministry made more complicated by the fact that you weren't a registered co-operative?

Ted: Oh I don't think so, I think they just thought that we were a bit idiosyncratic, and they accepted that, and I think that's quite good. We've had a wonderful relationship with the ministry.

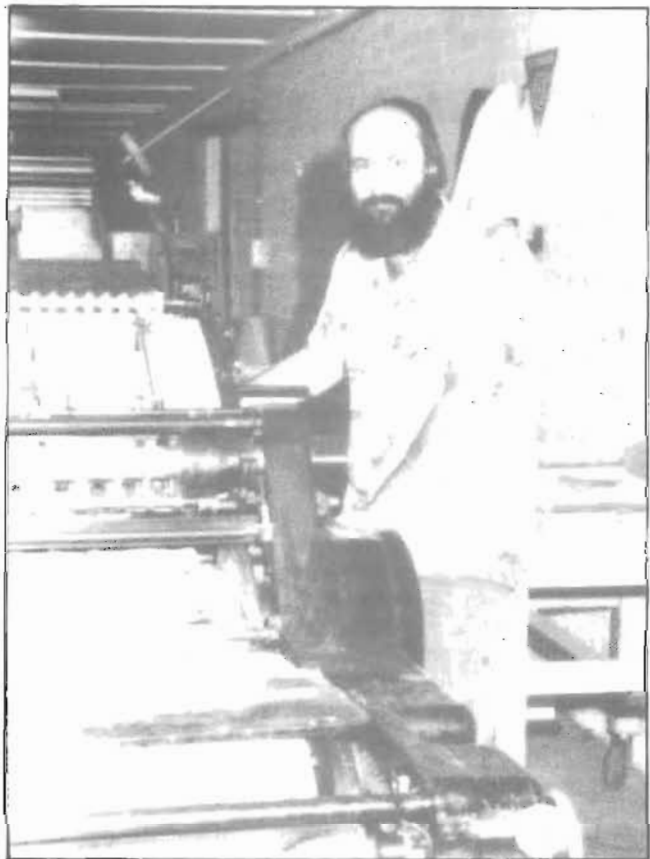
Since you've been in the program, what use have you been able to make of the ministry's facilities, such as access to training programs?

Dave: We've been doing a lot of the training!

For other co-operatives?

Ted: Yes. It's a moot point how useful the training programs have been for us. But for Backyard the co-operative dialog involved has been very beneficial. We've contact with people like Correct Line and Hodja as a result of that, and established useful business relationships as a result.

Cathy: There's also an upgrading of skills going on on a day to day level, just through people changing jobs every so





●(Left and above) Backyard Press workers

often. Like Dave's taken on this front desk job, whereas he used to be the printer, so he virtually organised his own training program. He goes to various people to get information. And that's the system we work on.

Have you had assistance from the ministry in health and safety areas?

Dave: We had a representative from the Chamber of Manufacturers come out, and they did a health and safety audit. I've been to seminars at the Trades Hall organised by the PKIU, and I was the only co-operative rep there.

Apart from that, that's about it really. We took some of the points that the audit made, and we changed some of the shelving and boxes around upstairs. I personally wasn't too impressed with the audit. There were a lot of things that I thought they could have done that they didn't, that they overlooked.

What are the main health and safety problems here?

Dave: Mainly chemicals and lifting, they would be the biggest in this place. There's no repetitive strain injuries - except coming to work every morning, that's an RSI!

What about things like lighting and ventilation?

Dave: I Well in the front room here where most of the work gets done there's lots of natural light, which is important. In the plate-room there's a lot of natural light as well. The only problem is the light coming up from the light-table. The guy from the Chamber of Manufacturers said that that was alright, but I disagree with that. When you walk from a dark-room and you look at a negative on a light-table and you get a direct light into your eyes, it must be bad for you.

The factory ventilation out there is not good, but in the new funding they've given us \$3,000 for a new

ventilation system. The ventilation system drags the fumes up past the printer.

Ted: I think in this whole area I think not only the co-operatives themselves but some of the agencies are in their infancies, including the ministry. You know you ring up the health and safety people and they offer this audit, but as Dave says, it's still not quite a full going concern. They don't have a full background on chemicals, for example. They couldn't tell you what's in some of these chemicals, hydrocarbons and all sorts of things. And it's probably the same in the accountancy area. Sure they've got business people, but have they got specialists in the printing area? That will come with time as they develop their resources, or they find out who to bring in.

Cathy: In relation to the chemicals, we tried to find out stuff about that years ago, before we had any contact with the ministry, but it's really hard to get that sort of information.

Have you had any assistance with management and marketing and those sorts of areas?

Ted: Well, this is what our second round of funding's about, to a degree. We use that kind of consultancy mainly for marketing, and it has a lot to do with the product that we produce here. Some fairly positive things came out of that, but again, there was a lack of resource capital to develop those ideas. So the need to go for a second round of funding was as a way of capitalising what we knew already that we needed to do - to have better business management and sales approach. Because in the printing industry, there's lots of things you know you should be doing, but if there's something going wrong out in the press-room, you can't leave it alone, you've got to go out and fix it up. Meanwhile, your follow-up calls get neglected.

How have you found your relationship with the unions developing?

Dave: We're still waiting for Fred Nelson, from the PKIU, to come out here. I spoke to him about the health and safety thing and he said he'd like to come out here and have a look at a co-operative because he'd heard so much about them. I think Leigh Holloway had been to see him, but he didn't really know what a co-operative was or what it was meant to be, and his view of it and Leigh's view of it seemed to be a bit different.

Ted: One of the problems is that like many people in the co-operative movement we all come from fairly itinerant backgrounds, and haven't gone through the standard industrial training processes, and some unions are very strong on craft, and the PKIU's one of them. But I imagine that they're having to relax that a bit.

Dave: No they're not. I believe wholeheartedly in what they saying, in not allowing me to become a full-fledged printer when I'm not a trained printer and haven't served an apprenticeship. They are changing their rules about doing apprenticeships when you're older, but dropping the standards doesn't help anybody. I'm not a good enough printer to say I could go off and work on a four-color press. I think that you should serve an apprenticeship and learn the skills before you start messing around with machines like that.

What's your relationship with other co-operatives?

Ted: Hate some of them, like some others!

Do you prefer to deal commercially with other co-operatives?

Cathy: Yes, quite a few of them. But I think there's a lot more scope for that. Of course a lot of people in co-operatives are learning their trades in the same way that we're learning ours, and there have been some mistakes and some problems. But we tend to come back to each other in the long run.

The Co-op Movement In Singapore

Brief History of the Co-operative Movement

Co-operation was introduced in Singapore as early as 1924 when the Co-operative Societies Ordinance for the Straits Settlements was enacted. It was introduced at a time when money-lending was a roaring business. Wage-earners in the middle and lower income groups at that time could hardly make ends meet because of poor wages and the high cost of living. These workers had no one else to turn to except the unscrupulous money-lenders who charged exorbitant rates of interest. The Government introduced the co-operative scheme not only to provide facilities for borrowing but at the same time to provide for regular savings.

A group of 34 public-spirited civil servants set about to form the first co-operative society known as the Singapore Government Servants Co-operative Thrift and Loan Society Ltd. It was registered on 7 October 1925. This was followed by the registration of the Singapore Municipal Employees Co-operative Thrift and Loan Society Ltd on 8 October 1925 and the Singapore Harbour Board Employees Co-operative Thrift and Loan Society Ltd on 9 October 1925.

In 1926 another two thrift and loan societies were formed by the police and the mercantile workers. This was followed in 1928 by two more similar type of societies set up by the postal, telecommunication and telephone workers.

Between 1931 and 1940, more and more people began to see the usefulness of the co-operative concept of self-help and mutual assistance. Another 36 thrift and loan societies were formed to cater to the needs of teachers, customs officers, as well as the urban workers in many private companies. These societies managed to release their members from the clutches of the money-lenders by the granting of low-interest loans to help them pay off their debts. An important development during this period was the formation of a co-operative union in 1933 to foster inter-co-operative relations.

The war period of 1942 to 1945 brought all co-operative societies to a standstill. Nevertheless, rehabilitation in the postwar years was rapid. High inflation after the war brought undue hardships to the urban workers. On 23 August 1946, the first consumer co-operative was formed to fight inflation. A housing co-operative made its appearance in 1948. By 1950, there were a total of 40 societies with a total membership of about 20,597 and a paid-up capital of \$2.2 million.

The fifties saw further development in the co-operative movement. Co-operative with marketing, transport, land purchase and banking activities began to appear. By 1960, there were 104 societies with 37,844 members and paid-up capital of \$13.2 million.

The number of societies began to decline in the sixties. In 1968, a producer co-operative was formed. At the end of 1970, there were only 90 societies with 47,956 members and paid-up capital of \$27.1 million.

The Turning Point in Co-operative Development in Singapore

The most significant development of the co-operative movement in Singapore after 1970 was the launching of co-operative ventures by the Singapore National Trades Union Congress (NTUC) and its affiliated unions. These ventures were meant to provide for more economic and social benefits to the workers by having a definite stake in the economy of Singapore. Within a span of nine years (1970 to 1979), thirteen co-operatives were established by the NTUC and its affiliated unions, the most significant ones being INCOME, COMFORT, WELCOME and the SILO Multi-purpose Co-operative Society Ltd (now known as the Singapore Employees Co-operative Ltd). This resulted in a tremendous upsurge in membership and created a significant impact on the daily lives of the workers and the population at large.

The Movement Today

Today there are 75 registered co-operative societies in Singapore with a total membership of 191,000 and a paid-up capital of \$53 million. With the exception of the Singapore National Co-operative Federation Ltd (SNCF), which is the apex organisation, 72 are primary societies and 2 are secondary societies.

The current business activities of these co-operatives, with assets reaching almost \$253 million, range from thrift and loan, transport, life and general insurance, supermarkets, restaurants, printing, shoemaking, dental surgery, car rentals, confectionery, home appliances and the orchid industry.

Brief Account of the Co-operatives

Thrift and Credit Co-operatives

Today the thrift and credit societies comprise about 49% of the total number of co-operatives

in Singapore with a combined paid-up capital of \$28.4 million. They operate essentially for salaried persons. They encourage and facilitate small regular savings and grant loans to needy members. In this respect, thrift and credit co-operatives are popular and a good many companies encourage their employees to become members. These co-operatives depend mainly on the interests derived from investments of funds and loans granted to members.

Members' subscriptions and loan repayments can be deducted at source, i.e. direct from their salaries, and this helps towards the smooth running of the societies.

Multi-Purpose Co-operatives

There are 21 multi-purpose co-operatives in Singapore and the biggest and most successful is the Singapore Industrial Labour Organisation (SILO) which is now known as the Singapore Employees Co-operative Ltd. This Co-operative was registered on 1 November 1971 with essentially the same objectives as those of the NTUC WEL-COME. In July 1981, it took over the assets and liabilities of the Pioneer Industries Employees' Union (PIEU) Multi-Purpose Co-operative Society Ltd. With this merger, the Co-operative today has more than 26,000 members and a paid-up capital of \$16.5 million. It operates 19 supermarkets, 4 home appliance showrooms, 2 self-service coffee shops and a printing workshop and employs 671 full-time and 56 part-time staff.

Consumer Co-operatives

There are 5 co-operatives in this category, the biggest and most successful being the NTUC WELCOME Consumers' Co-operative Ltd. The others are relatively small, catering for provisions, confections and educational materials.

NTUC WELCOME was launched in 1973 at the time of rampant inflation in Singapore. The objective of WELCOME is to provide consumers with essential household goods at cheap prices so as to combat price hikes and profiteering. The first WELCOME supermarket was opened in July 1973 at Toa Payoh. WELCOME has expanded since then and today it operates 15 supermarkets and 1,000 Fair Price Shops. WELCOME has a total of 26,000 members, with a paid-up capital of \$3.5 million.

Producer Co-operatives

The Shoemakers Co-operative Industrial Society (S) Ltd, formed by ex-political detainees in 1968, has contracts with the Ministry of Home Affairs and the Ministry of Defence for the manufacture and repair of boots and shoes for uniformed personnel. It also produces shoes and slippers for local and overseas markets. The Singapore Horticultural Co-operative Society Ltd, formed in 1979, mainly grows orchids and other plants for sale locally and in overseas markets.

Insurance Co-operative

The NTUC Insurance Commonwealth Enterprise Ltd (INCOME) is the first and only insurance co-operative in Singapore today. It was registered on 29 May 1970. The primary objective of INCOME is

RESEARCH OFFICER

A research officer is sought for a four-month project [to investigate the feasibility of establishing an association of] worker co-operatives. A background in research and report writing is desirable, particularly in regard to the co-operative movement. An understanding of the problems of worker self-management as well as the economic and organizational issues facing worker co-operatives will be necessary.

Salary: \$460 per week. Applications with references to:

The Secretary,
Brunswick Italo-Australian
Employment Co-operative Ltd,
140 Lygon Street,
BRUNSWICK EAST,
Vic, 3057.

Closing date: Thurs March 7th.

Phone inquiries: Jim Asker 387 4264

to promote and popularise the practice of co-operative insurance and encourage thrift, co-operation, mutual saving and self-help among the members.

INCOME has performed very well in the life assurance field. At the end of 1981, INCOME had 70,375 policies in force for \$585 million in sums assured, and a paid up capital of \$3.03 million. It started its general insurance business in 1975. Today it underwrites all classes of business including marine, motor, workmen's compensation, fire liability and others.

In addition to providing a valuable service to its policy holders, INCOME also provides full employment to 150 staff. It also provides the opportunity for over 700 organisers, who are members of the trade unions and co-operatives, to sell its policies for an honorarium to supplement their regular income. All persons above the age of 18 years can insure with INCOME.

Transport Co-operative

The NTUC Workers' Co-operative Commonwealth for Transport Ltd (COMFORT) was established on 21 October 1970 at a time when public transport in Singapore was heavily disorganised and there were too few buses and taxis on the roads to serve the public. 'Pirate' taxis were then rife. They were a hazard on the road and contributed to a spate of accidents.

COMFORT started off boldly with a fleet of 1,000 taxis and 200 mini-buses. Today, it has over 6,000 taxis, 260 mini-buses and 13 taxi kiosks, located at strategic points, and caters for the transport needs of all strata of the public from office workers to school children and factory workers.

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COMFORT provides opportunities for members to operate as properly licensed taxi drivers. These drivers eventually own the vehicles they drive after completing their instalment payments. COMFORT also provides the back-up administration and vehicle maintenance services. This successful co-operative has a membership of 5,481, a paid-up capital of \$84 million and employs a total of 181 staff.

Secondary Societies

There are only two secondary societies in Singapore today. The Singapore Amalgamated Investment Co-operative Society Ltd (AICS) was registered on 24 February 1981 with the help of the Registry of Co-operative Societies and the Overseas Union Bank Trustees Ltd, which now acts as the Society's investment manager. The objective of this society is to pool the resources of member societies for investment in trustee securities in order to maximise returns and at the same time minimise the risks involved in the investment of funds. Membership is open to all registered co-operative societies in Singapore. Each member is required to take up a minimum of 1,000 shares at \$1/- each. Since its inception, 20 co-operative societies have become members of this secondary society.

The Singapore Amalgamated Services Co-operative Organisation Ltd (SASCO) is the new name for the Singapore National Co-operative Union Ltd (SNCU) which was founded in November 1933. Its objective was to foster inter-co-operative relations and to assist co-operatives in the promotion of co-operative education and training. In 1958, SNCU was affiliated to the ICA which helped to conduct courses and workshops for officials of co-operatives and to expose a few representatives to international seminars and conferences on co-operative matters.

In September 1980, with the registration of the SNCF as the apex organisation, the SNCU dropped its education and training role on the advice of the Registrar of Co-operative Societies so as not to duplicate the role of the SNCF. SNCU began concentrating on its social role and in January 1981, with the support of its affiliates and the public, it set up a Home For The Aged at Telok Blangah Rise as a service to the community.

In December 1981, SNCU amended its by-laws at the direction of the Registrar and now operates under the name of SASCO. SASCO, which has 11 co-operative societies affiliated to it, will provide economic and general services to its members besides establishing and running social and community projects.

Co-operative Legislation

The Co-operative Societies Act, 1971, came into operation on 1 January 1980. It repealed the previous restrictive Act which was enacted in 1924. Besides providing better control of co-operative societies, the new Act also encourages the orderly development of the co-operative movement in Singapore by, among others, the establishment of

a Central Co-operative Fund and an Apex Organisation for co-operatives.

The Central Co-operative Fund

The Central Co-operative Fund (CCF) was established as a Trust Fund pursuant to section 71 of the Co-operative Societies Act, 1979. The Fund is under the control of the Minister for Social Affairs with a committee to advise him on the administration of the Fund.

The CCF, to which every co-operative is required to contribute 5% of its annual net surplus, is intended to further co-operative education, training, research and audit, and for the general development of the co-operative movement in Singapore.

The Apex Organisation

The Singapore National Co-operative Federation Ltd (SNCF) was registered on 18 September 1980 as the apex organisation for all types of co-operatives in Singapore, pursuant to section 13(2) of the Co-operative Societies Act 1979. The by-laws of the SNCF outline the following objectives:

- (a) To propagate the principles and practice of co-operation;
- (b) To promote co-operative education, carry out research and collect and disseminate information connected with and for the purpose of co-operative development;
- (c) To provide management, accounting, legal, educational and other advisory services for affiliates; and
- (d) To organise and represent the co-operative movement in Singapore.

The current membership of SNCF stands at 190,000 representing 43 co-operative societies. This figure represents 93% of the total number of members of co-operative societies in Singapore.

The SNCF co-ordinates and facilitates the activities and growth of the co-operatives in Singapore. It does so by organising and supervising effective centralised services for co-operative education and training, supplies, marketing, banking, transport, accounting, audit and other needs. The SNCF is financed by the Central Co-operative Fund.

The Future

The Government has taken a series of measures as outlined in the Co-operative Societies Act, 1979, especially on the organisation and management of societies and the establishment of the Central Co-operative Fund and the Apex Organisation. These measures are aimed at:

- promoting sound management practices in co-operative societies;
- furthering co-operative education and training for members and employees; and
- providing centralised services to co-operatives on accounting, audit, banking, marketing, etc.

These significant changes may well be another turning point in the history and development of the co-operative movement in Singapore.

H.P.S. Samsudin
Executive Officer,
Singapore National Co-operative Federation

The Mondragon Experience

The co-operative movement in Australia often looks overseas for possible models of development, particularly in the industrial field. One of the most frequently cited examples of successful co-operative industrial enterprise is the co-operative network centred on Mondragon in Spain.

Background

Mondragon is the Spanish name for the town of Arrasate, in the Basque Country (Euzkadi) of northern Spain. Arrasate/Mondragon is in Guipuzkoa province, about 40km south-east of the regional capital, Bilbao. Euzkadi is a semi-autonomous region of Spain, with its own parliament and legal system and is culturally and linguistically quite separate from Spain. During the Spanish Civil War (1936-39), Euzkadi was an independent republic. During the dictatorship of Gen. Francisco Franco (1939-75), the region was severely repressed, politically and culturally, and all political and trade union activity was banned. Euzkadi was also severely economically disadvantaged during this period.



● Co-op electronics workshop

In 1941, a Catholic priest, Jose Maria Arizmendi (usually known by the Spanish form of his name, ARizmendi), arrived in Arrasate/Mondragon. Having fought on the losing side in the Civil War, he had been imprisoned and subsequently entered the Church. He was sent to the region with a mission from his Bishop to act as a counsellor and advisor to young people.

Soon after his arrival, Arizmendi, seeing that the most urgent need for the region's young people was technical education, succeeded in harnessing community support for a new technical school. The school opened its doors in 1943. The students themselves became closely involved in its survival, organising fund-raising activities.

University level education posed the next problem. Arizmendi succeeded in arranging with the Zaragosa School of Engineering that students could study at home, while working for local factories, and take their exams at Zaragosa at the end of the year. The first group of 11 students graduated with honours in 1952.

Five of these students were particularly close to Arizmendi, having shared in his discussions of the roles for capital and labour in the light of the social doctrine of the Catholic Church. They were committed to the idea of the participation of labour in the profits of an enterprise. It was thus that the first co-operative, ULGOR, was launched in 1956. The financing of the operation reflected the goodwill of the community; word had been spread about plans for the enterprise around the evening drinking clubs of Mondragon, and 100 people came forward offering financial support. It began work with a labour force of 23.

While the debt owed to the inspiration of Arizmendi by the Mondragon community is universally acknowledged, two features of his role are particularly stressed. One is his indefatigable search through the jungles of Spanish law to find a suitable legal form for each institution as it came into existence, from the Educational League (the legal entity formalising the sponsors of the technical college), to ULGOR, to the Caja Laboral — a thoroughly practical form of assistance. The second is his role as a challenging thinker; as each institution came into existence and the movement gathered scale and momentum, his attention, one is told, was always on the faults of the structure that was being built up, its inadequacies in meeting the aspirations, both of individuals and the community.

The Basic Regulations and Structure of Industrial Co-operatives

The basic organisational structure of the Mondragon industrial co-operatives has been evolved over the years in the light of practical experience, within the limitations of existing Spanish Co-operative law. The statutes of each co-operative vary to a limited extent from each other, but all must conform to the standard Contract of Association. They are thus very similar.

Control of the enterprise is vested in the workers as a function of work rather than capital ownership. The entire workforce (one man, one vote) elects the "Junta Rectora", or control board; the control board, which meets once a month, has the power to hire and fire the top executives. They in their turn appoint middle management and can dismiss them. This latter arrangement is important in controlling the kind of anarchic ganging up on lower level executives seen in some co-operatives.

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In the larger co-operatives there is a parallel chain of communication provided by a social council, the members of which are elected on a constituency basis similar to that of a British "works committee". This social council has direct access to both the general manager and the control board to whom it can represent the human, as opposed to the commercial, requirements of the workers. The weekly meeting, which is usually between each social council member and the workers of his shop or department, has been found to be the best means of educating new entrants to Mondragon in the ideals and practice of co-operation.

Since the early days of the movement it has been established that salaries within an enterprise should not vary before tax by more than the ratio 3:1; the highest paid executive does not earn more than three times the wage of the lowest paid worker. The absolute level of wages is related to those paid by similar capitalist enterprises within the region. These outside wages are used to establish the base rate of 1 from which all the group's own internal wages are subsequently calculated within the 3:1 differential limit. The policy is that the bottom rate 1 shall be slightly above those paid for comparable work in the region. The 3:1 limit is laid down in the Contract of Association. The Contract also provides that senior professional and executive staff may receive supplementary payments, to take account of special responsibilities and long hours, up to a maximum of 50% of their normal salaries. On the other hand most new recruits at the bottom either start above the base 1 level, or move significantly above it (to at least 1.2) within a few months.

At the inception of a new co-operative the workforce is expected to raise roughly 20% of the capital required, some A\$4,000 a head. A further 20% is available from the state from a special loan fund earmarked for the promotion of new co-operative enterprises. The remaining 60% is put up by the Caja Laboral, The Co-operative Bank. When a worker joins an existing co-operative he has to put up a somewhat lower capital sum to buy into the operation, currently around A\$2,000.

The distribution of profits at the end of each financial year is controlled first by Spanish Co-operative law and second, and more stringently, by the Contract of Association between the individual enterprises and the Caja. Under the latest Spanish Co-operative law (1974) industrial co-operative enterprises must transfer not less than 15% of net profits to collective reserve funds and not less than 10% must be contributed to finance social services for the community as a whole (e.g. education). The Contract of Association steps up these requirements in two ways:

- (a) it lays down that a minimum of 30% of net profits must go to a combination of collective reserve funds and social services, of which not less than 10% to the latter;
- (b) where net profits represent more than 50% of the enterprise's total wages and salaries bill,

the proportion that must be devoted to a combination of reserve funds and social services must be increased in line with a formula

which effectively means that the larger the profits, the greater the proportion channelled towards reserve funds and community projects. In either case, the remainder (not more than 70% of net profits) is divided between the capital accounts of all members of the workforce using the same differentials as for basic pay (i.e. within the 3:1 ratio).

In its Contract of Association the Caja also makes an important stipulation with regard to losses. If these are incurred, a maximum of 30% may be written off against collective reserve funds. The balance must be deducted from the individual capital accounts of the worker-owner members. However, this stipulation does not apply to new co-operatives until they have become profitable in the first place and are judged to be on their feet.

As a co-operative savings bank (or credit union), the distribution of the Caja's own profits is itself governed by Spanish Co-operative law. The latest legal provision in this case are that 25% of profits must go to obligatory reserve funds; a further 20% to obligatory funds against the possibility of bankruptcy and 10% to community projects. In practice the Caja has chosen to plough back even larger percentages.

One of the most important features of this system is the ruling that the worker's capital stake in the enterprise, his/her initial capital contribution plus his/her annual share of profits, cannot be withdrawn until he/she leaves the firm. If he/she leaves to take a better job in a capitalist enterprise, he/she risks losing up to 20% of his/her capital stake; if he/she stays until retirement age, or if he/she has to leave on compassionate grounds, he/she can withdraw his/her whole 100%. Some of those who are now retiring, having been with a co-operative since the early days, have built up a capital sum of around A\$20 - 30,000. This is, of course, over and above their normal pension. It should be noted however, that when a worker changes jobs within the group his/her capital stake is normally transferable.

Once the starting finance has been repaid to the bank out of profits earned, the capital assets of a well-established co-operative will be wholly owned by the workers and the reserve fund which belongs to the collective. The Caja will only be used to handle day-to-day liquidity requirements and to help finance new expansion plans. At present, loans from the Caja account for roughly 50% of the working capital of the co-operatives, the rest being funded by the initial capital contributions of workers plus retained profits.

The enterprises are carefully structured so as to ensure that the reality of democratic control does not interfere with effective management. The control board has the power to hire and fire top management, but unless prepared to use this final sanction must leave the managers to manage. The fact that the Caja's Management Division closely monitors the progress of the business provides a further insurance that neither the control board

WORKER CO-OPERATIVES

The Ministry of Employment and Training offers technical and financial assistance to support Worker Co-operatives.

These publications are available free:

Workplace Democracy: The Co-operative Way

Conversion Co-operatives

Viability Criteria

Worker Co-operatives in NSW and Victoria: A Policy Review.

A video-tape, *Workplace Democracy: The Co-operative Way*, is also available for loan.

For further information please contact:

Co-operative Development Program
Ministry of Employment and Training
Nauru House
80 Collins St
Melbourne Victoria 3000
(03) 658 6444.

nor the managers take irresponsible decisions. A representative of the Caja can be sent to put the case to the control board whenever they consider that something may be going wrong, but it is stressed that they will only intervene at the request of the co-operative. The fact that the Caja controls the financing of the enterprise gives this representative considerable pull. It is also sensible that minor grouses about conditions of work, pay, etc. are dealt with separately by the democratically elected works council.

The Total Community of Co-operatives

The Mondragon community is growing at the rate of three or four co-operatives a year. The Caja's 1975 report lists 58 industrial co-operatives and 18 others. The first co-operative, ULGOR, has become Spain's leading manufacturer of refrigerators, cookers and washing machines; it has won contracts to establish similar plants in Tunisia, Russia and Mexico. Danobat, established in 1966, has become Spain's leading manufacturer of machine tools, with over 20% of sales for export.

Experience has shown that the co-operative system works most smoothly and efficiently in smaller enterprises with a workforce of not more than about 400. This lesson was basically learnt from ULGOR, the first and now easily the largest of the co-operatives; despite its democratic structure the remoteness of decision-making has tended to result

in a modified version of the alienation and social tensions that are found in large capitalist or state-controlled operations. The only strike in the community's history erupted at ULGOR in 1974.

While the Mondragon community is primarily industrial, five agricultural co-operatives are also associated to the group, Cava, Lana, Miba, Ian and San Isidro Labrador. The establishment of new industries immediately poses the problem of housing for the workers; by 1975 there were five housing co-operatives associated with the group. Apartment blocks are built on behalf of the co-operative of future owners to whom the Caja advances a substantial proportion of the initial costs. There is also one consumer co-operative; it was established in 1969 to incorporate several existing local groups. There were 30 branches distributed round the region and 50,000 consumer members in 1975. This consumer co-operative is unusual in that its members comprise workers as well as the consumers. Surplus, instead of being paid as a dividend to the consumers, is allocated in the same way as it is in the producer co-operatives.

Finally, there are six educational co-operatives, one social security co-operative, one research and development centre and the bank itself. These second-degree service co-operatives are of special significance in that they demonstrate how a community's social needs can be served in a co-operative system, and thus how a strong co-operative sector can provide for the welfare of its community in much the same way as an English local authority.

The Caja Laboral

The Caja Laboral is the commonly-used Spanish name for Lan Kide Aurrezkia (LKA), the co-operative bank and credit society that finances the Mondragon co-operatives.

LKA was one of the earliest institutions established at Mondragon. The founders of ULGOR needed some means of providing a legal guarantee for the financial support that they had received from the community. Within a generally hostile environment, they also needed a reliable source of finance to cover liquidity needs and expansion plans. They also required an organisation to handle social security for the group.

It was Arizmendi, as usual, who pressed the idea on them and researched the legislation, thus discovering a form of savings called "worker's savings" which had not been developed in the region and allowed payment of interest $\frac{1}{2}\%$ above the normal rate. Two small offices were originally established, one in the school and one in the headquarters of Catholic Action; the five founders of ULGOR handled the paperwork, donating their services.

In 1959 LKA achieved more formal status, being registered as a savings co-operative. Offices were opened simultaneously in two provinces, they were contributing to the creation of local jobs and the prosperity of their own locality. In the eight years from 1966-74 the number of savers multiplied 22 times and LKA's assets 35 times.

Continued on next page



● Co-operatively-owned sports stadium near Mondragon

Up to 1972 the expansion of the industrial co-operatives was limited by the availability of finance from the Caja; since then, deposits have exceeded the co-operatives' requirements.

The third crucial function of the bank lies in the provision of management advice to the co-operatives. LKA's investments are spread among a very small number of active clients (77 member co-operatives), thus producing high risks from high concentration. To counterbalance this the bank has, from the start, had to provide a very strong management back-up for its members; a high degree of control and monitoring has resulted so far in no failures among the industrial co-operatives and no bad debts.

The first line of defence lies in the Contract of Association between the bank and an industrial co-operative; this lays down the ground rules for management in considerable detail. Secondly, before a new co-operative is launched LKA sponsors a very detailed feasibility study; this normally takes between one and two years and is of crucial importance in ensuring the viability of the new concern. Thirdly, the bank closely monitors the one at Mondragon in Guipuzcoa and one at Elorrio in Vizcaya, in case either provincial administration should take action against the initiative.

LKA gradually developed its three main functions. Social security was handled by the bank until 1974; the second function lay in channelling local savings to provide finance for the industrial co-operatives. The local community was quick to appreciate that by placing their savings with LKA

operation of existing co-operatives; they are required to supply monthly operating statistics which are regularly checked against annual and five-year plans, which they are also required to submit to the bank. The management services of the bank are provided by the Empresarial Division, which currently has a staff of 90.

Ultimate control of the bank rests with the general assembly of "members", this comprises the staff of the bank plus representatives of member co-operatives as follows:

Industrial co-operatives	1 representative per 20 employees
Consumer and agricultural co-operatives	1 representative per 2000 members
Educational and housing co-operatives	1 representative per co-operative.

The general assembly elects the "Junta Rectora", or control board, which in turn appoints the executive management.

The main decisions of the bank are taken by its management council, which normally meets once a month. The constitution of the council includes: the director and assistant director of the bank, the heads of the Empresarial and banking divisions, and a legal adviser.

Almost from the beginning, but especially in the last few years, the operations of the LKA have been remarkably profitable. So much so that it is apparent that it would be "unfair" if its staff should share in enterprise profits in the same way as do the worker-members of the industrial co-

operatives. Instead, the bank's staff receives as its profit share a sum equal to the average distributed in the group as a whole. It is an arrangement which obviously strengthens the feeling of solidarity between the bank and the directly productive enterprises.

LKA - Empresarial

The Empresarial Division of LKA is perhaps the most original and important feature of the set-up. Experience elsewhere has shown that management weaknesses are the major problem of producer co-operatives. Indeed management controlled by the workers has often been irresponsible and short-sighted. The importance of management is very clearly appreciated at Mondragon itself; they point out that, given a group of people willing to contribute their labour, their organisation into an economically viable enterprise is purely a matter of management engineering.

This provides the *raison d'être* of the Empresarial Division. It is their responsibility to guide the launching of new co-operatives and to monitor and advise established enterprises. The Division is subdivided as follows:

Promotion (staff of Nine). This section is responsible for feasibility studies and assisting in the creation of new co-operatives. Seven of the team act as "godfathers" (see below) to the new co-operatives. This section is also responsible for studying marketing problems, relations with outside firms, investigation of co-operatives' problems, and methods of day-to-day operation.

Engineering (staff of four). This section advises on the design of new plant, monitors the execution of new projects, advises on the organisation of production, and handles stock and quality control.

Town Planning (staff of five). This section handles the purchase and controlled use of land, both for industrial complexes and housing. LKA tends to buy up sites with potential when they become available; these are subsequently re-sold to industrial or housing co-operatives. The use of the land is planned and carried through by this section.

Industrial Building (staff of nine). This section works closely with the last, planning new projects, working out the detailed requirements of a new installation and overseeing the works.

Direction (staff of six). This section handles overall planning for the group and monitors performance, represents the Empresarial on the management council and control board, takes the initiative when intervention in the affairs of member co-operatives becomes necessary. It also includes a legal department.

Personnel (staff of five). This section advises on salary levels and job evaluation (differentials), the optimal use of manpower, selection of personnel and general recruitment, training, and planning of future manpower requirements.

Accountancy (staff of nine). This section handles the annual audits of member enterprises, advises on cost control and the mechanisation of

accounting processes, assesses the need for management intervention, and advises on general matters of accountability.

Housing (staff of sixteen). This is a large section since it includes a team of architects and provides the basic services needed by the housing co-operatives.

Agricultural (staff of three). This section deals with the problems of the agricultural co-operatives.

Education (staff of three). This section deals with the problems of the technical school and the new primary and secondary schools.

Research (staff of four). This section is involved in basic economic research into: socio-economic trends, regional development and the international economy. It also handles training.

The Most Significant Features

It is difficult to disentangle the relative importance of the history and geography of the Basque country, and the unique organisational structure developed at Mondragon, as the main contributing factors in its success story. As far as can be seen, however they have developed a very efficient system which should theoretically be transferable to other countries without losing much of its edge. It is worth re-underlining the principal features.

The Mondragon co-operatives are grouped within a small geographic area. They attach particular importance to the regional nature of the development. It means, on the one hand, that they receive the support and backing (notably savings) of the local residents; on the other, it makes possible the integrated planning of industrial initiatives, housing, education, the training of skilled personnel, and community services (medication, and social services). In other words, the whole operation is run by the community in the interests of the community.

The organisational structure of the group rests on clearly defined rules evolved in the light of experience. It is a grouping of small interdependent co-operatives; experience indicates that a workforce of 400 - 500 is the optimal size. Overall control is vested in the workforce as a function of work contributed rather than ownership of capital. Each worker member must have a capital stake in the business; there is effectively a capital entrance fee. Residual profits of the enterprise are divided equally between the capital accounts of the worker-owners, but this capital account cannot be touched before the worker leaves the co-operative. This results in the effective reinvestment in the enterprise of some 90% of profits; reinvestment of profits on this scale contributes to the fulfilment of the group's "open door policy" — a commitment to the creation of new jobs.

Worker solidarity is ensured by two complementary rulings. Internally, by the rule that wages and salaries shall not vary by more than the ratio 3:1 between top management and the lowest paid worker; externally, by basing average wages on those currently paid by private industry in the region.

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